

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
<input type="checkbox"/>	14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	

**INGHAM COUNTY LAND BANK  
FAST TRACK AUTHORITY**

**Financial Statements**

**For the Year Ended December 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**INGHAM COUNTY LAND BANK  
FAST TRACK AUTHORITY**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

June 25, 2008

To the Chairperson and Members of the  
Ingham County Land Bank Fast Track Authority  
Lansing, Michigan

We have audited the accompanying basic financial statements of the ***Ingham County Land Bank Fast Track Authority***, a discretely presented component unit of Ingham County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of the Ingham County Land Bank Fast Track Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ingham County Land Bank Fast Track Authority as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

# **BASIC FINANCIAL STATEMENTS**

# Ingham County Land Bank Fast Track Authority

## Statement of Net Assets

December 31, 2007

### Assets

#### Current assets:

Cash and cash equivalents	\$ 120,601
Accounts receivable	99,039
Current portion of land contract receivable	1,157
Property inventory	<u>1,780,964</u>

Total current assets 2,001,761

Noncurrent assets - land contract receivable, net 70,028

**Total assets** 2,071,789

### Liabilities

#### Current liabilities:

Accounts payable 59,954

Noncurrent liabilities - notes payable 1,574,146

**Total liabilities** 1,634,100

**Net assets, unrestricted** \$ 437,689

The accompanying notes are an integral part of these financial statements.

# Ingham County Land Bank Fast Track Authority

## Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended December 31, 2007

<b>Operating revenues</b>	
Property sales	\$ 684,744
Intergovernmental - brownfield reimbursement	97,546
Other revenues	<u>9,067</u>
Total operating revenues	791,357
<b>Operating expenses</b>	
Cost of property sold	<u>559,237</u>
Operating income	<u>232,120</u>
<b>Nonoperating revenues</b>	
Intergovernmental subsidy - Ingham County appropriation	50,000
Interest revenue	<u>4,729</u>
Total nonoperating revenues	<u>54,729</u>
Change in net assets	286,849
Net assets, beginning of year	<u>150,840</u>
<b>Net assets, end of year</b>	<u><u>\$ 437,689</u></u>

The accompanying notes are an integral part of these financial statements.

# Ingham County Land Bank Fast Track Authority

## Statement of Cash Flows

For the Year Ended December 31, 2007

### Cash flows from operating activities

Cash received from customers	\$ 621,244
Cash paid to contractors and vendors	<u>(1,497,417)</u>
Net cash provided (used) by operating activities	<u>(876,173)</u>

### Cash flows from noncapital and related financing activities

Line of credit cash draws	1,724,146
Payments on borrowing	(897,885)
Intergovernmental subsidy	<u>50,000</u>
Net cash provided (used) by noncapital and related financing activities	<u>876,261</u>

### Cash flows from investing activities

Interest revenue received	<u>4,729</u>
Net increase (decrease) in cash and cash equivalents	4,817

Cash and cash equivalents, beginning of year	<u>115,784</u>
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Cash and cash equivalents, end of year	<u><u>\$ 120,601</u></u>
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### Reconciliation of operating income to net cash used by operating activities

Operating income	\$ 232,120
Changes in assets and liabilities:	
Accounts receivable	(170,113)
Property inventory	(945,737)
Accounts payable	<u>7,557</u>

Net cash used by operating activities	<u><u>\$ (876,173)</u></u>
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The accompanying notes are an integral part of these financial statements.



# INGHAM COUNTY LAND BANK FAST TRACK AUTHORITY

## Notes to Basic Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ingham County Land Bank Fast Track Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Authority’s accounting policies are described below.

#### A. Reporting Entity

The Authority was incorporated pursuant to the Michigan Land Bank Fast Track Act (Public Act 258) and an intergovernmental agreement between the Authority and the County of Ingham, Michigan (the “County”). The Authority was legally established on November 1, 2005 and began operations subsequent to January 1, 2006. The Authority is governed by a five-member board, the chair of which is the Ingham County Treasurer; the other four members are appointed by the Ingham County Board of Commissioners for overlapping four year terms. No other governmental entities are part of the Authority; however, the Authority is a discretely presented component unit of the County.

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# INGHAM COUNTY LAND BANK FAST TRACK AUTHORITY

## Notes to Basic Financial Statements

### C. Assets, Liabilities and Equity

**Cash and Cash Equivalents.** Cash and cash equivalents include amounts in demand deposit accounts. State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements and banker acceptances.

**Property Inventory.** The Authority may acquire by gift, devise, transfer, exchange, foreclosure, purchase or otherwise real or personal property, or rights of interest in real or personal property, on terms and conditions and in a manner the Authority considers appropriate. The properties are inventoried at the amount paid. The costs to rehabilitate a particular property that materially add value as well as an allocated portion of administrative costs and interest expense on debt incurred to acquire such properties are added to the cost of that property. Parcels that are donated to the Authority are valued at \$1 as they have minimal value until rehabilitated.

**Long-term Obligations.** Long-term debt is reported as a liability in the statement of net assets.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits

At year-end, the carrying amount of the Authority's deposits was \$120,601. The bank balance was \$131,729 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$31,729 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

### B. Long-term Debt

	Balance January 1 <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
Lines of credit:					
Citizens Bank	\$ 747,885	\$ 150,000	\$ 897,885	\$ -	\$ -
Capital National Bank	-	774,146	-	774,146	-
National City Bank	-	800,000	-	800,000	-
<b>Total</b>	<b><u>\$ 747,885</u></b>	<b><u>\$ 1,724,146</u></b>	<b><u>\$ 897,885</u></b>	<b><u>\$ 1,574,146</u></b>	<b><u>\$ -</u></b>

# **INGHAM COUNTY LAND BANK FAST TRACK AUTHORITY**

## **Notes to Basic Financial Statements**

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The line of credit with Citizens Bank was closed during 2007 and the Authority obtained two new lines through Capital National Bank (\$1.0 million authorized) and National City Bank (\$3.0 million authorized). Both of the current lines mature on July 1, 2010 and carry variable interest rates based on the 3-month LIBOR rate; at December 31, 2007 the Capital National line interest rate was 5.7787% and the National City line interest rate was 5.8306%.

### **C. Risk Management**

The Authority, as a component unit of the County, is covered from losses as described in the note captioned "Risk Management" in the County's comprehensive annual financial report.

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**REHMANN ROBSON**

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A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

June 25, 2008

To the Chairperson and Members of the  
Ingham County Land Bank Fast Track Authority  
Lansing, Michigan

We have audited the financial statements of the *Ingham County Land Bank Fast Track Authority*, a discretely presented component unit of Ingham County, Michigan, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

### **Preparation of Financial Statements in Accordance with GAAP**

<b>Criteria:</b>	Financial statements are required to be prepared in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Foundation's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting fund financial statements including the related footnotes (i.e., external financial reporting).
<b>Condition:</b>	As is the case with most similar-sized entities, the Authority has historically relied on its independent external auditors to assist in preparing the financial statements and footnotes as part of its external financial reporting process.
<b>Cause:</b>	This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the organization to perform this task internally.
<b>Effect:</b>	As a result of this condition, the Authority lacks internal controls over the preparation of its financial statements in accordance with GAAP, and instead relied, in part, on its external auditors for assistance with this task.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.